



Beverly A. Brandt
Chief, Bureau of Health and Services Development
2600 Bull Street
Columbia, SC 29201

October 25, 2011

Re: Written competitive review for competing applications in response to Project Review Meeting presentations, United Home Care, Inc. d/b/a United Home Care of the Low Country, Beaufort, South Carolina

Dear Ms. Brandt:

Thank you for the opportunity to provide a competitive review of competing applications for the Beaufort County Home Health CON application cycle. Please find below our comments, by applicant.

Community Health Inc.

- **Location**

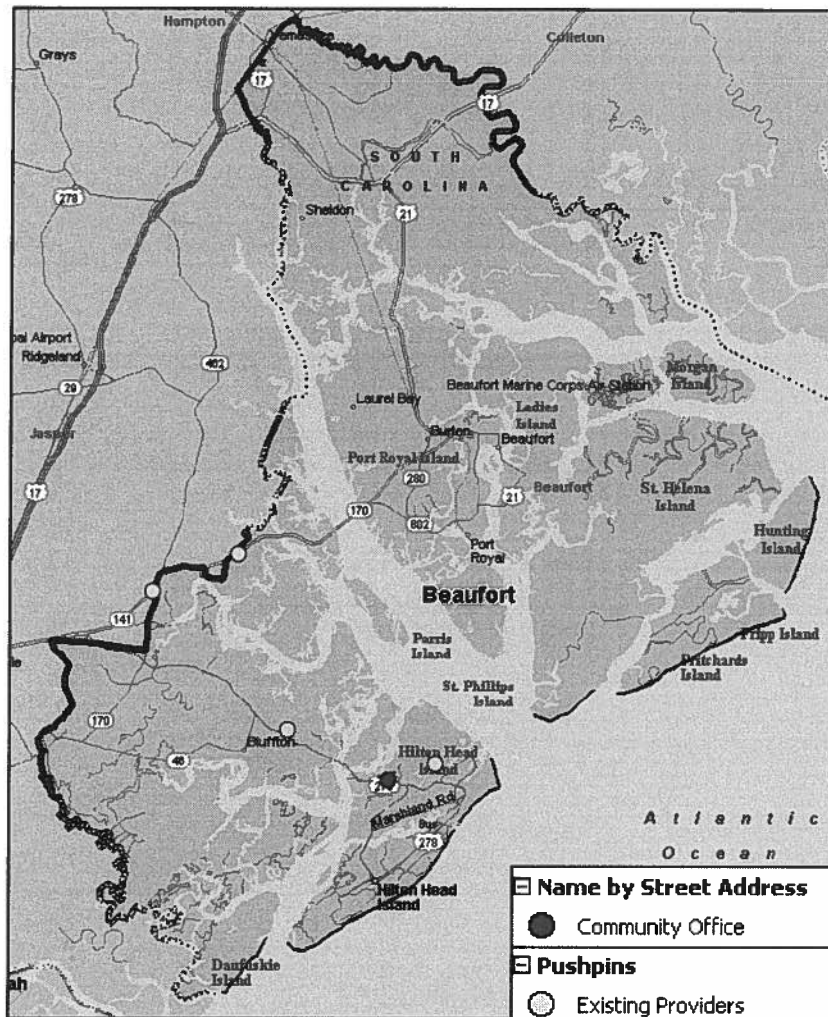
Community Health Inc. (Community) has proposed to serve the residents of Beaufort County from a single office. Community's analysis of its approach to provide services throughout the county is flawed for the following reason:

Community fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

Community proposes to locate its office on Hilton Head Island, SC. As Map 1 displays, Hilton Head is located in the southwest part of Beaufort County. Community's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to Community's proposed office. Further, there are a number of geographic barriers, including many islands and waterways, unique to Beaufort County that make travel across the county in a timely and cost effective manner very difficult. Community's proposed office duplicates existing services and does not increase access to the citizens of the remainder of the county. United Home Care of the Low Country (UHC-LC), in recognition of these facts, has proposed to locate its office in the city of Beaufort, located in the central part of Beaufort County. Therefore, UHC-LC's proposal provides a better solution for meeting the unduplicated need in the county.

01117

Map 1



- Utilization

Community's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

Community projects to serve 101 patients in Year 1, 140 patients in Year 2 and 151 patients in Year 3. Community states that this utilization pattern was derived based on the 2011 South Carolina State Health Plan. However, these projections are not supported in its application. Community has not adequately documented unduplicated referrals from specific referral sources. Community's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Financial Projections**

Community's financial projections are flawed. The Applicant fails to account for several critical facts which have a significant impact upon revenues and calls into question the fiscal viability of the proposed agency.

Community fails to account for initial Medicare and Medicaid Certification delays and the resulting lags of revenue and cash flow. Failure by Community to account for this initial certification period would result in an overstatement of projected revenues and cash.

- **Staffing Levels**

Community's staffing levels are unreasonable. Based upon the analysis below, Community has not projected enough direct care staff for its projected utilization.

Community projects 0.94 skilled nursing FTEs in the third project year. It projects 1,381 skilled nursing visits in the same year. This allocation only allows each skilled nurse to spend 1 hour and 25 minutes to drive, treat and document treatment for each patient. Skilled nurses would be required to visit an average of 5.63 patients per day. The staffing levels for therapy staff are even lower. Community projects 0.73 physical therapy FTEs, 0.08 speech therapy FTEs and 0.21 occupational therapy FTEs to perform 1,603, 119 and 379 visits, respectively, in the third project year. This allocation only allows each physical therapist 57 minutes, each speech therapist 1 hour and 24 minutes and each occupational therapist 1 hour and 9 minutes to drive, treat and document treatment for each patient. Physical therapists would be required to visit an average of 8.42 patients per day, speech therapists to visit 5.71 patients per day and occupational therapists to visit 6.96 patients per day. These allocations seem unrealistic given the geographic make up and resulting drive times in Beaufort County. Please see Figure 1 for a breakdown of Community's staffing levels against national averages.

Figure 1

Community's Year 3 Staffing Levels for Proposed Project vs. National Averages				
Discipline	Liberty		National Average	
	Hours per Visit	Patients Visited per 8 Hour Day	Hours per Visit	Patients Visited per 8 Hour Day
Skilled Nursing	1.42	5.63	1.61	4.96
Physical Therapy	0.95	8.42	1.48	5.39
Speech Therapy	1.40	5.71	N/A	N/A
Occ. Therapy	1.15	6.96	1.51	5.30

*Source: National Association for Home Care and Hospice (2010)

Calculations:

Hours per Visit = (FTEs * 2,080) / Total Visits

Patients Visited per 8 Hour Day = (8 hours per day / Hours per Visit)

- **Indigent Care**

Community proposes among the lowest amounts of total indigent care in the third project year.

Community's total indigent care provided in the third project year is a meager \$5,158. This amount is the second lowest among all eight of the applicants and is less than one fourth (1/4) of the amount of indigent care proposed by UHC-LC in the same project year.

- **Letters of Support**

Community garnered little support for its proposed project from providers and the community. Community collected only 13 letters of support for its proposed project in Beaufort County.

Gentiva Home Health

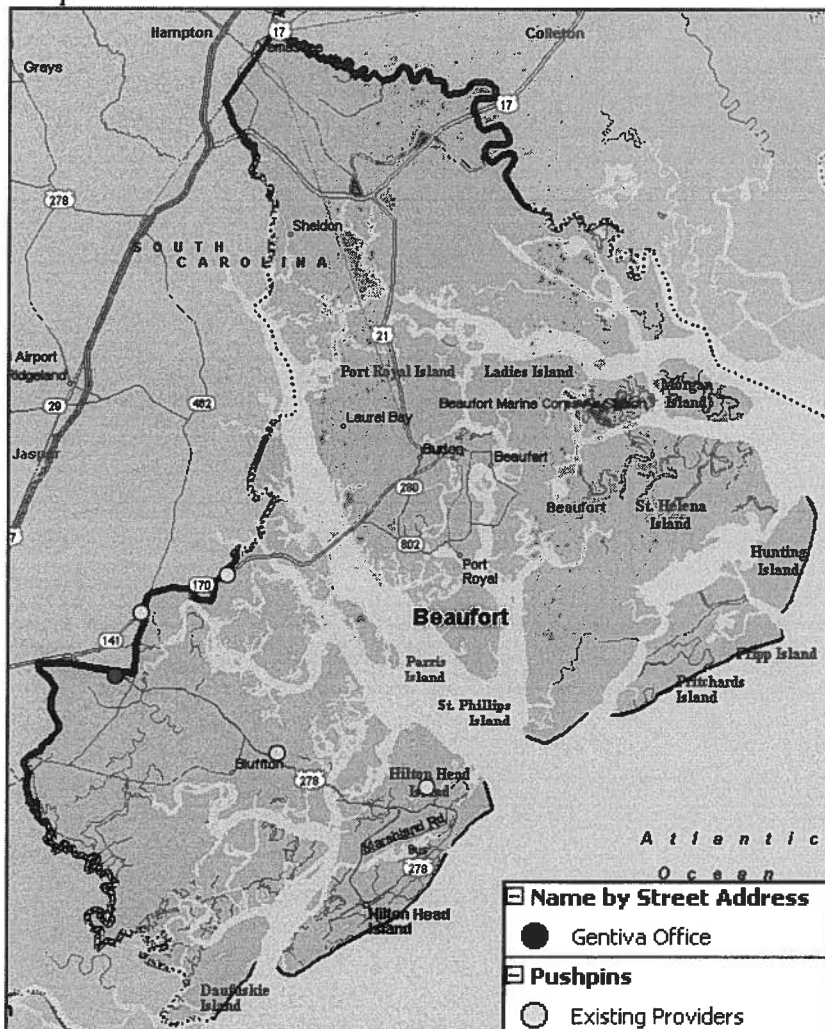
- **Location**

Gentiva Home Health (Gentiva) has proposed to serve the residents of Beaufort County from a single office. Gentiva's analysis of its approach to provide services throughout the county is flawed for the following reason:

Gentiva fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

Gentiva proposes to locate its office in Okatie, SC. As Map 2 displays, Okatie is located in the southwest part of Beaufort County. Gentiva's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to Gentiva's proposed office. Further, there are a number of geographic barriers, including many islands and waterways, unique to Beaufort County that make travel across the county in a timely and cost effective manner very difficult. Gentiva's proposed office duplicates existing services and does not increase access to the citizens of the remainder of the county. UHC-LC, in recognition of these facts, has proposed to locate its office in the city of Beaufort, located in the central part of Beaufort County. Therefore, UHC-LC's proposal provides a better solution for meeting the unduplicated need in the county.

Map 2



01121

- **Utilization**

Gentiva's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

Gentiva projects to serve 281 patients in Year 1, 392 patients in Year 2 and 506 patients in Year 3. Gentiva states that this utilization pattern was derived based on established relationships with various providers in the area. However, these projections are not supported in its application. Gentiva has not adequately documented unduplicated referrals from specific referral sources. Gentiva's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Payor Mix**

Gentiva has presented contradictory payor mixes. The patients by payor type (Figure 2) provided in their application includes no self-pay patients yet the payor mix table presented at the Project Review Meeting (Figure 3) includes self-paying consumers and a different allocation of payors altogether. This discrepancy calls into question the validity of the Applicant's fiscal projections.

Figure 2

	YR1	YR2	YR3
Medicare	6,175	8,626	11,096
Medicaid	231	330	413
Commercial	49	65	87
Total	6,455	9,021	11,595

Figure 3

Medicare	93.7%
Medicaid	3.5%
Self Pay	2.1%
3 rd Party	0.7%

Gentiva's comparison of applicants by payor type as a percentage gross revenue at the Project Review Meeting is misleading.

Gentiva attempted to compare the different applicants by payor type but used percentage of gross revenue for each payor type rather than admissions by payor. Because different payors reimburse at different rates, gross revenue by payor type is not useful. The more important calculation is admissions by payor type.

The latter method provides a much more useful statistical view and relates directly to utilization and access by various consumers.

- **Financial Projections**

Gentiva's financial projections are flawed. The Applicant fails to account for several critical facts which have a significant impact upon revenues and calls into question the fiscal viability of the proposed agency. A number of the Applicant's oversights are discussed below:

- 1) Gentiva fails to account for initial Medicare and Medicaid Certification delays and the resulting lags of revenue and cash flow. Failure by Gentiva to account for this initial certification period results in an overstatement of projected revenues and cash.
- 2) Gentiva's total project cost and start up costs are unusually high. Gentiva projects a total project cost of \$264,133 and total start up costs of \$529,003. Both of these amounts are well in excess of those proposed by the other applicants and it is also unclear whether the pro forma properly accounts for these costs.
- 3) Gentiva provides little detail in its pro forma in regard to projected expenses. Without knowing major line item expenses such as staff salary by discipline, one cannot discern if the pro forma is reasonable.
- 4) Gentiva projects an unusually high number of visits per patient. Gentiva projects approximately 23 visits per patient in each of its project years, a number that is well above the other applicants and is well in excess of National norms. While these anomalies are neither bad nor wrong, they do call into question the reasonableness of the Applicant's fiscal proposal.

Gentiva does not provide all pertinent financial data needed to evaluate their pro forma. Therefore, it is hard to determine what the relative impact on the community will be and whether their expenses are reasonable.

Gentiva does not list staff salaries by discipline. Therefore, it is impossible to determine the relative impact that this provider will have on workers in the community and if projected salaries are reasonable.

- **Indigent Care**

Gentiva's charity care provision is inconsistent and flawed. The pro forma indicates that Gentiva will deduct more from revenue for charity care than revenues it will receive from self-pay in each of the project years.

Gentiva has projected a high amount of total indigent care in each of its project years. The indigent care provided, however, is inconsistent with its pro forma as Gentiva projects substantially less self-pay revenue than charity care (Please see Figure 4). Normally, an organization's charity care deduction should be equal to, or less than its self-pay revenue as charity care cannot be deducted from Medicare, Medicaid or Commercial payors. There is not sufficient detail in Gentiva's pro forma to clear up this discrepancy or validate these projections.

Figure 4

Gentiva's Self-Pay Revenue vs. Charity Care Deduction			
	Year 1	Year 2	Year 3
Self-Pay Revenue	\$19,731	\$28,558	\$38,943
Charity Care Deduction	\$49,231	\$43,441	\$55,904

- **Letters of Support**

Gentiva garnered little support for its proposed project from providers and the community. Gentiva collected only 22 letters of support for its proposed project in Beaufort County.

Interim HealthCare

- **Location**

Interim HealthCare (Interim) has proposed to serve the residents of Beaufort County using two offices. Interim's analysis of its approach to provide services throughout the county is flawed for the following reasons:

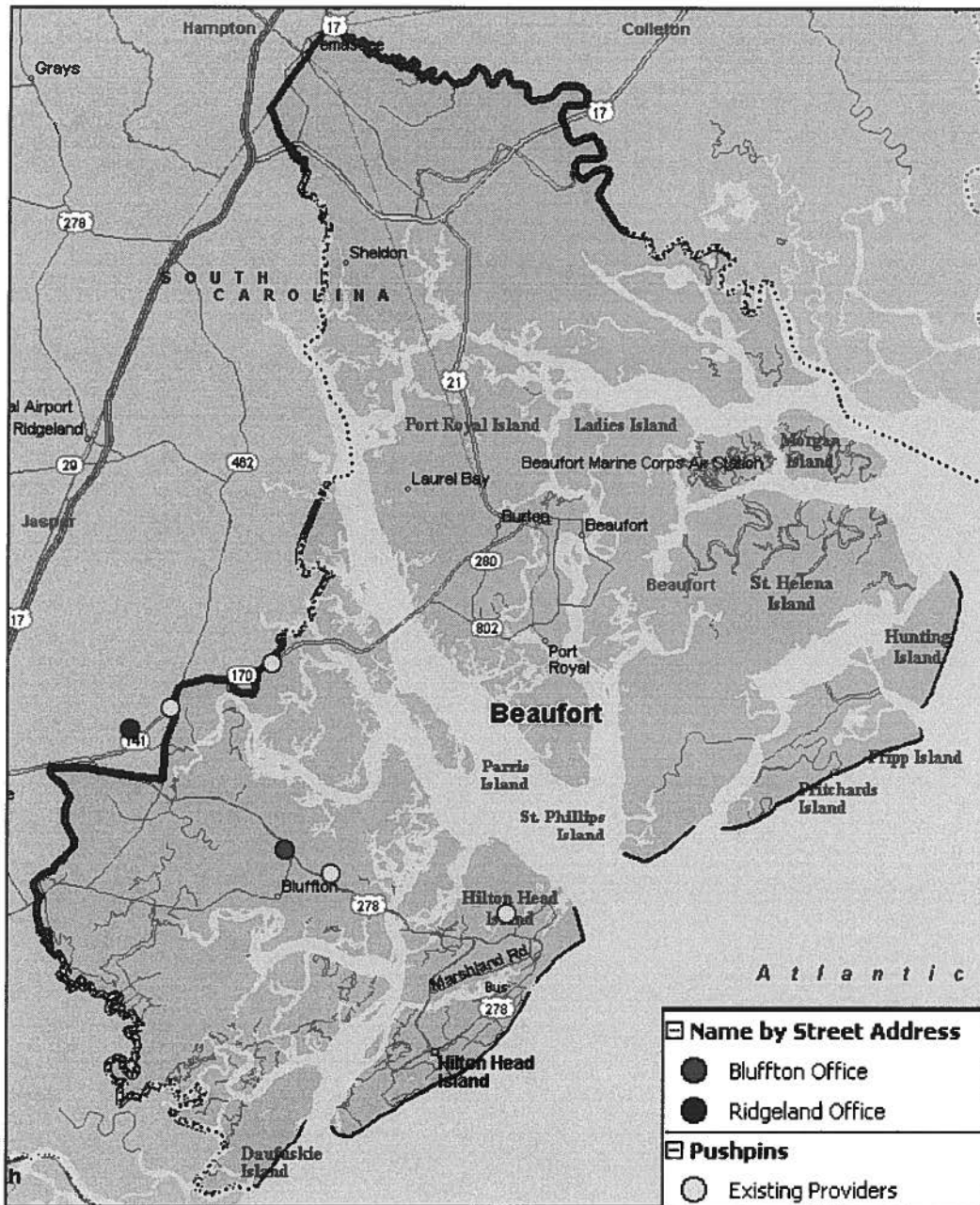
1) Interim fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

Interim proposes to locate its offices in Bluffton, SC and Ridgeland, SC. As Map 3 displays, Bluffton, SC and Ridgeland, SC are located in the southwest part of Beaufort County. Interim's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to Interim's proposed offices. Further, there are a number of geographic barriers, including many islands and waterways, unique to Beaufort County that make travel across the county in a timely and cost effective manner very difficult. Interim's proposed offices duplicate existing services and do not increase access to the citizens of the remainder of the county. UHC-LC, in recognition of these facts, has proposed to locate its office in the city of Beaufort, located in the central part of Beaufort County. Therefore, UHC-LC's proposal provides a better solution for meeting the unduplicated need in the county.

2) Interim fails to consider the negative impact that higher levels of administrative staffing and property costs, resulting from two proposed office locations, will have on its provision of care.

Interim's proposal to use two offices will lead to unusually high annual operating costs through the form of high administrative and property costs. As demonstrated above, the proposal to use two offices in the southwest part of the county will serve no real benefit in regard to access. Further, the use of two office locations will actually negatively impact the provision of care that Interim would be able to provide as this excess administrative and property capital would be better spent on the actual provision of care through higher levels of direct care staff.

Map 3



- **Utilization**

Interim's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

Interim projects to serve 186 patients in Year 1, 370 patients in Year 2 and 475 patients in Year 3. Interim states that this utilization pattern was derived based on the 2011 South Carolina State Health Plan and expected population growth. However, these projections are not supported in its application. Interim has

not adequately documented unduplicated referrals from specific referral sources. Interim's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Payor Mix**

Interim's payor mix is too ambiguous.

Interim combines private and insurance patients as one payor type and gives no indication as to how this payor type is broken down. Therefore, there is no way to verify relative reimbursement for these payor types and whether enough self-pay patients were assumed in order to cover its indigent care commitment.

- **Financial Projections**

Interim's financial projections are flawed. The Applicant fails to account for several critical facts which have a significant impact upon revenues and expenses and calls into question the fiscal viability of the proposed agency. A number of the Applicant's oversights are discussed below:

1) Interim fails to account for initial Medicare and Medicaid Certification delays and the resulting lags of revenue and cash flow. Failure by Interim to account for this initial certification period results in an overstatement of projected revenues and cash.

2) Interim provides little detail in its pro forma in regard to projected expenses. Without knowing major line item expenses such as staff salary by discipline, one cannot discern whether the pro forma is reasonable.

3) Interim, did not account for income taxes in their pro forma. Had they accounted for taxes (at a standard corporate rate of 40.5%), Interim's margin would be a mere \$26,138 in the third project year.

Interim does not provide all pertinent financial data needed to evaluate their pro forma. Therefore, it is hard to determine what the relative impact on payors in the area will be.

Interim does not list charge by discipline. Therefore, it is impossible to determine the relative impact that this provider will have on the payors in the area.

- **Staffing Levels**

Interim's average visits per patient is unreasonable. The projected visits per patient are too low, indicating that Interim has not accounted for all costs in its pro forma.

Interim's visits per patient by project year (Please see Figure 5) is well below industry standards and those projected by the other seven applicants. As one can see, Interim projects just 10.9 visits per patient in the third year of the project. It is apparent that Interim has not accounted for enough visits for each patient that it projects and the viability of the entire project must be questioned accordingly.

Figure 5

Interim's Visits per Patient			
	Year 1	Year 2	Year 3
Visits per Patient	11.1	11.1	10.9

Liberty Homecare VI- Beaufort County

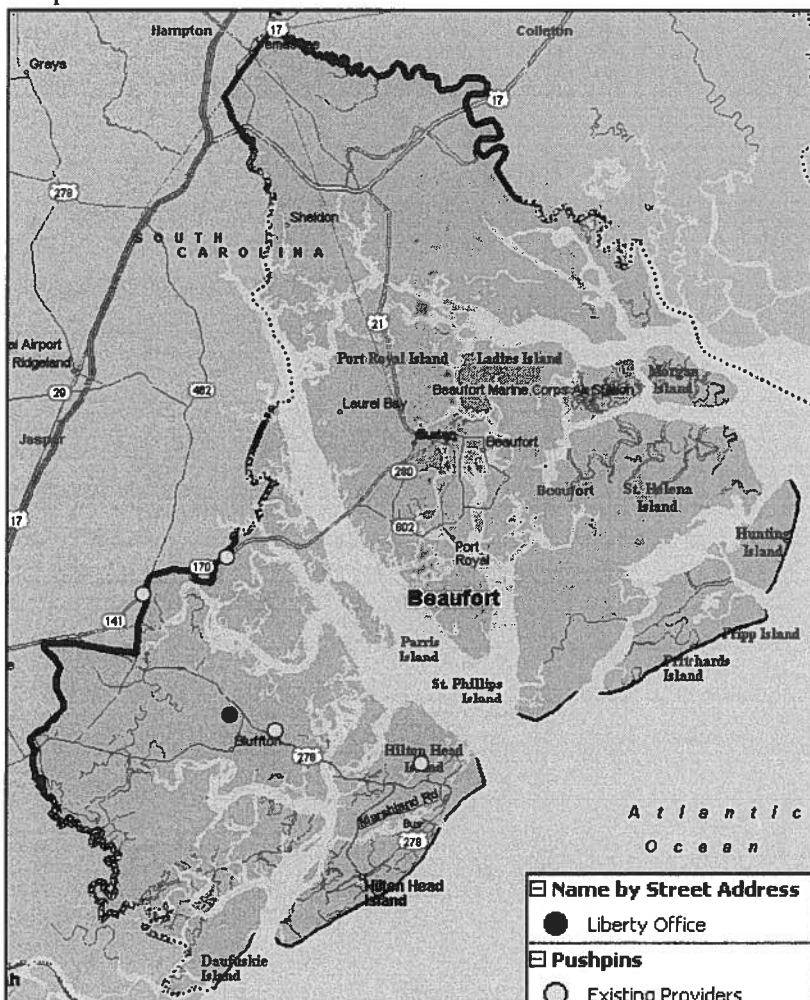
- **Location**

Liberty Homecare VI- Beaufort County (Liberty) has proposed to serve the residents of Beaufort County using one office. Liberty's analysis of its approach to provide services throughout the county is flawed for the following reason:

Liberty fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

Liberty proposes to locate its office in Bluffton, SC. As Map 4 displays, Bluffton, SC is located in the southwest part of Beaufort County. Liberty's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to Liberty's proposed office. Further, there are a number of geographic barriers, including many islands and waterways, unique to Beaufort County that make travel across the county in a timely and cost effective manner very difficult. Liberty's proposed office duplicates existing services and does not increase access to the citizens of the remainder of the county. UHC-LC, in recognition of these facts, has proposed to locate its office in the city of Beaufort, located in the central part of Beaufort County. Therefore, UHC-LC's proposal provides a better solution for meeting the unduplicated need in the county.

Map 4



01129

- **Utilization**

Liberty's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

Liberty projects to serve 101 patients in Year 1, 177 patients in Year 2 and 273 patients in Year 3. Liberty states that this utilization pattern was derived based on the 2011 South Carolina State Health Plan and expected population growth. However, these projections are not supported in its application. Liberty has not adequately documented unduplicated referrals from specific referral sources. Liberty's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Payor mix**

Liberty's payor mix is unreasonable. Liberty projects no self-pay payors in their pro forma yet has a provision for indigent care.

Self-pay payors should be a substantial component of a home health payor mix yet only Medicare, Non-Medicare-PPS, Medicaid and Commercial Insurance patients are projected in the Liberty pro forma. Further, without self-pay patients, there would be no way to provide the indigent care that Liberty projects.

- **Financial Projections**

Liberty's financial projections are flawed. The Applicant fails to account for several critical facts which have a significant impact upon revenues and expenses and calls into question the fiscal viability of the proposed agency. A number of the Applicant's oversights are discussed below:

1) Liberty fails to account for initial Medicare and Medicaid Certification delays and the resulting lags of revenue and cash flow. Failure by Liberty to account for this initial certification period results in an overstatement of projected revenues and cash.

2) Liberty's project viability must be questioned as the agency's Net Income in the third year is only \$32,841. Such a low margin should be a cause for concern as any type of oversight concerning expenses or utilization could result in a negative Net Income in the third year and jeopardize the financial feasibility of the entire project.

3) Liberty did not account for income taxes in their pro forma. Had they accounted for taxes (at a standard corporate rate of 40.5%), Liberty's margin would be a mere \$19,540 in the third project year.

Liberty's proposed charges will have a negative effect on payors in Beaufort County. Liberty's charges by discipline are much higher than current charges by discipline in the county.

As one can see from Figure 6, Liberty's charges by discipline are much higher than current charges by discipline in the county. Liberty would have a negative impact on payors in Beaufort County should they be introduced as a new provider.

Figure 6

Existing Provider Charge per Visit by Discipline – 2009-2010 SFY Data and Liberty's Proposed Charges for Year 1 of the Project						
Provider	Skilled Nursing	Physical Therapy	Occupational Therapy	Speech Therapy	Social Worker	Home Health Aide
CareOne	\$126.28	\$116.49	\$122.24	\$124.24	\$208.13	\$62.86
Amedisys	\$129.9	\$132.12	\$127.85	\$141.9	\$143.30	\$174.98
Island	\$176.57	\$167.44	\$232.01	\$212.14	\$621.21	\$80.59
Beaufort Jasper	\$135.56	\$130.55	--	--	\$180.23	\$83.31
Existing Provider Average Charge	\$142.08	\$136.65	\$160.70	\$159.43	\$288.22	\$100.44
Liberty	\$155.00	\$160.00	\$160.00	\$160.00	\$300.00	\$60.00

*Source: Medicare Cost Reports

- **Indigent Care**

Liberty proposes very little community benefit. Liberty proposes the lowest amount of total indigent care in the third project year.

Liberty's total indigent care provided in the third project year is a meager \$2,760. This amount is the lowest among all eight of the applicants and is close to one tenth (1/10) the amount of indigent care that UHC-LC proposes in the same project year.

- **Letters of Support**

Liberty garnered little support for its proposed project from providers and the community. Liberty collected only 3 letters of support for its proposed project in Beaufort County.

NHC HomeCare, Beaufort

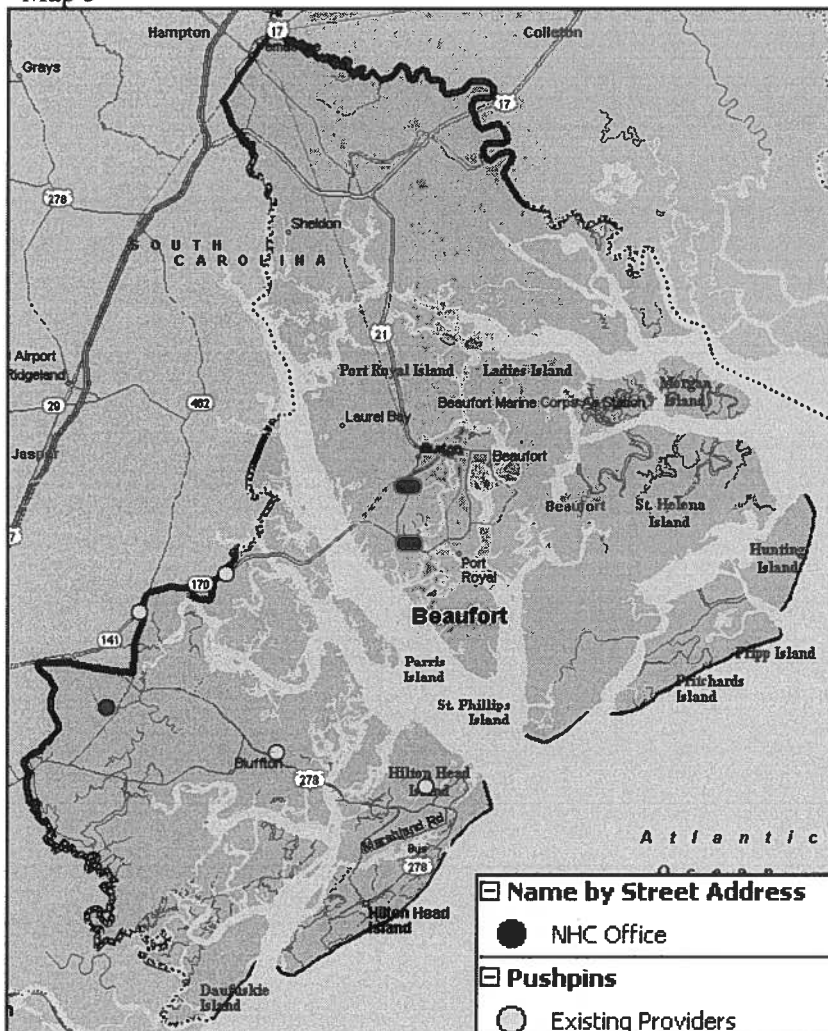
- **Location**

NHC HomeCare, Beaufort (NHC) has proposed to serve the residents of Beaufort County from a single office. NHC's analysis of its approach to provide services throughout the county is flawed for the following reason:

NHC fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

NHC proposes to locate its office in Bluffton, SC. As Map 5 displays, Bluffton is located in the southwest part of Beaufort County. NHC's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to NHC's proposed office. Further, there are a number of geographic barriers, including many islands and waterways, unique to Beaufort County that make travel across the county in a timely and cost effective manner very difficult. NHC's proposed office duplicates existing services and does not increase access to the citizens of the remainder of the county. UHC-LC, in recognition of these facts, has proposed to locate its office in the city of Beaufort, located in the central part of Beaufort County. Therefore, UHC-LC's proposal provides a better solution for meeting the unduplicated need in the county.

Map 5



01132

- **Utilization**

NHC's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

NHC projects to serve 97 patients in Year 1, 155 patients in Year 2 and 182 patients in Year 3. NHC states that this utilization pattern was derived based on established relationships with various providers in the area. However, these projections are not supported in its application. NHC has not adequately documented unduplicated referrals from specific referral sources. NHC's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Financial Projections**

NHC's financial projections are flawed. The Applicant fails to account for several critical facts which have a significant impact upon revenues and expenses and calls into question the fiscal viability of the proposed agency.

NHC fails to account for initial Medicare and Medicaid Certification delays and the resulting lags of revenue and cash flow. Failure by NHC to account for this initial certification period results in an overstatement of projected revenues and cash.

NHC's proposed charges will have a negative effect on payors in Beaufort County. NHC's charges by discipline are much higher than current charges by discipline in the county.

As one can see from Figure 7, NHC's charges by discipline are much higher than current charges by discipline in the county. NHC would have a negative impact on payors in Beaufort County should they be introduced as a new provider.

Figure 7

Existing Provider Charge per Visit by Discipline – 2009-2010 SFY Data and NHC's Proposed Charges for Year 1 of the Project						
Provider	Skilled Nursing	Physical Therapy	Occupational Therapy	Speech Therapy	Social Worker	Home Health Aide
CareOne	\$126.28	\$116.49	\$122.24	\$124.24	\$208.13	\$62.86
Amedisys	\$129.9	\$132.12	\$127.85	\$141.9	\$143.30	\$174.98
Island	\$176.57	\$167.44	\$232.01	\$212.14	\$621.21	\$80.59
Beaufort Jasper	\$135.56	\$130.55	--	--	\$180.23	\$83.31
Existing Provider Average Charge	\$142.08	\$136.65	\$160.70	\$159.43	\$288.22	\$100.44
NHC	\$150.00	\$180.00	\$180.00	\$180.00	\$180.00	\$78.00

*Source: Medicare Cost Reports

- **Letters of Support**

NHC garnered very little support for its proposed project from the community. NHC had the fewest letters of support (2) among the eight applicants.

SJC Home Health Services- Lowcountry

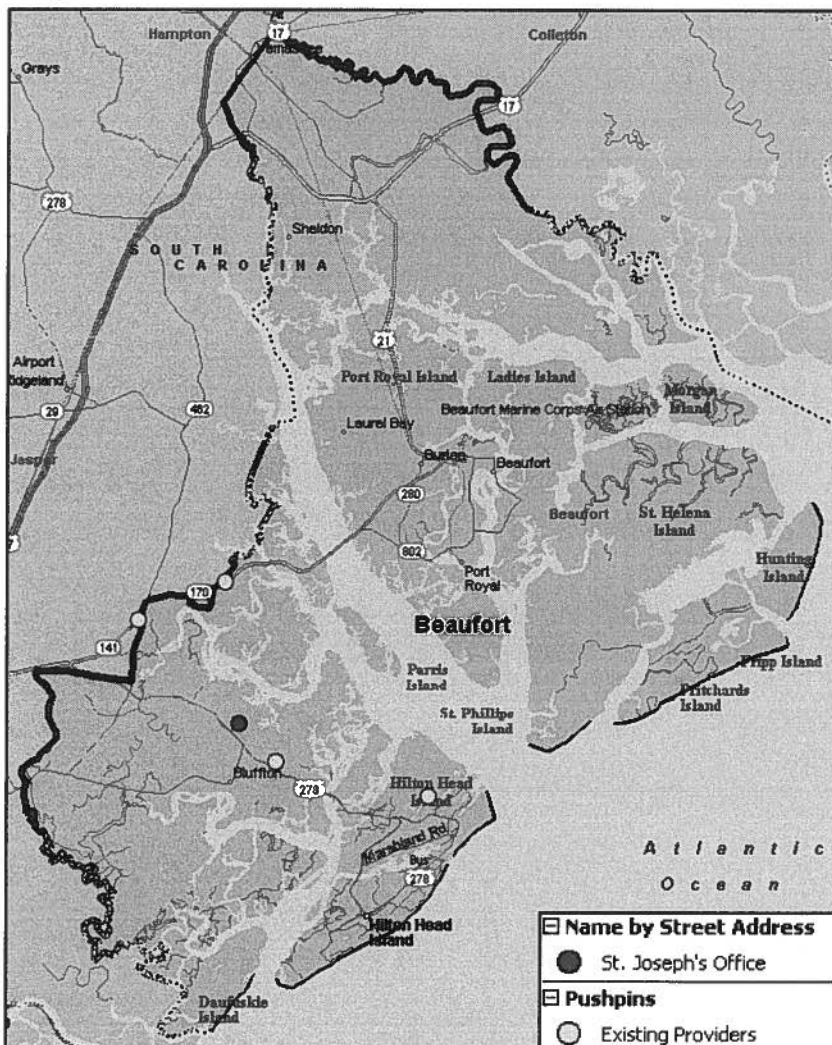
- **Location**

SJC Home Health Services- Lowcountry (SJC) has proposed to serve the residents of Beaufort County from a single office. SJC's analysis of its approach to provide services throughout the county is flawed for the following reason:

SJC fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

SJC proposes to locate its office in Bluffton, SC. As Map 6 displays, Bluffton is located in the southwest part of Beaufort County. SJC's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to SJC's proposed office. Further, there are a number of geographic barriers, including many islands and waterways, unique to Beaufort County that make travel across the county in a timely and cost effective manner very difficult. SJC's proposed office duplicates existing services and does not increase access to the citizens of the remainder of the county. UHC-LC, in recognition of these facts, has proposed to locate its office in the city of Beaufort, located in the central part of Beaufort County. Therefore, UHC-LC's proposal provides a better solution for meeting the unduplicated need in the county.

Map 6



01135

- **Utilization**

SJC's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

SJC projects to serve 185 patients in Year 1, 288 patients in Year 2 and 390 patients in Year 3. SJC states that this utilization pattern was derived based on established relationships with various providers in the area. However, these projections are not supported in its application. SJC has not adequately documented unduplicated referrals from specific referral sources. SJC's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Financial Projections**

SJC's proposed charges will have a negative effect on payors in Beaufort County. SJC's charges by discipline are much higher than current charges by discipline in the county.

As one can see from Figure 8, SJC's charges by discipline are much higher than current charges by discipline in the county. SJC would have a negative impact on payors in Beaufort County should they be introduced as a new provider.

Figure 8

Existing Provider Charge per Visit by Discipline – 2009-2010 SFY Data and SJC's Proposed Charges for Year 1 of the Project						
Provider	Skilled Nursing	Physical Therapy	Occupational Therapy	Speech Therapy	Social Worker	Home Health Aide
CareOne	\$126.28	\$116.49	\$122.24	\$124.24	\$208.13	\$62.86
Amedisys	\$129.9	\$132.12	\$127.85	\$141.9	\$143.30	\$174.98
Island	\$176.57	\$167.44	\$232.01	\$212.14	\$621.21	\$80.59
Beaufort Jasper	\$135.56	\$130.55	--	--	\$180.23	\$83.31
Existing Provider Average Charge	\$142.08	\$136.65	\$160.70	\$159.43	\$288.22	\$100.44
SJC	\$200.00	\$170.00	\$170.00	\$250.00	\$200.00	\$85.00

*Source: Medicare Cost Reports

- **Indigent Care**

SJC proposes very little community benefit. SJC proposes among the lowest amounts of total indigent care in the third project year.

SJC's total indigent care provided in the third project year is a meager \$8,881. This amount is the third lowest among all of the eight applicants and is close to one third (1/3) of the amount of indigent care that UHC-LC proposes in the same project year.

- **Letters of Support**

SJC garnered little support for its proposed project from providers and the community. SJC collected only 37 letters of support for its proposed project in Beaufort County.

Tri-County Home Health Care & Services, Inc.

- **Location**

Tri-County Home Health Care & Services, Inc. (Tri-County) has proposed to serve the residents of Beaufort County using three offices. Tri-County attempts to reason that three offices are needed as geographic barriers and traffic patterns have resulted in a need for home health services across Beaufort County. Therefore, Tri-County believes that it can serve all of the residents of Beaufort County from offices in Port Royal, Hilton Head Island and Saint Helena Island. Tri-County's analysis of its proposed offices is flawed for the following reasons:

1) Tri-County fails to consider the location of existing providers and an inevitable duplication of services in the southwest part of the county.

Tri-County proposes to locate one of its offices on Hilton Head Island. As Map 7 displays, Hilton Head Island is located in the southwest part of Beaufort County. Tri-County's analysis fails to account for the existing providers currently serving this region of the county. All four of the existing providers of home health services in Beaufort County are clustered in the southwest part of the county in close proximity to this proposed office. Tri-County's proposed Hilton Head office duplicates existing services and does not increase access to the citizens of the remainder of the county.

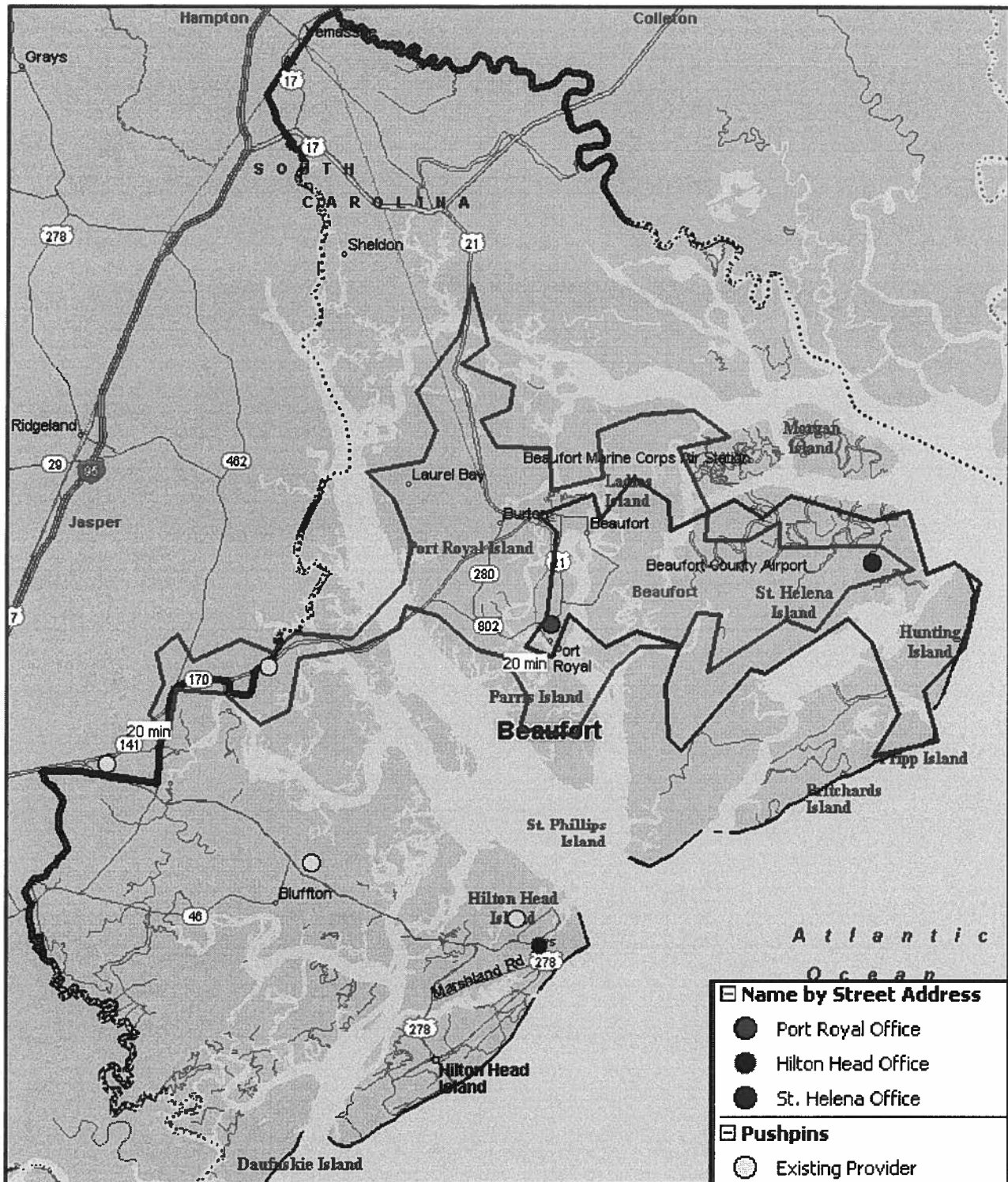
2) Tri-County proposes two offices in the eastern part of Beaufort County that would serve relatively the same population.

Tri-County proposes two offices in the eastern part of Beaufort County, its Port Royal office and its St. Helena office, and contends that these two offices will serve different populations. This statement, however, is untrue as Map 7 illustrates that the 20 minute drive times for each of these offices is very similar. Further, the only parts of Beaufort County that the Port Royal office cannot reach that the St. Helena office can reach consists of sparsely populated areas of the county as Map 8 depicts.

3) Tri-County fails to consider the negative impact that higher levels of administrative staffing and property costs, resulting from three proposed office locations, will have on its provision of care.

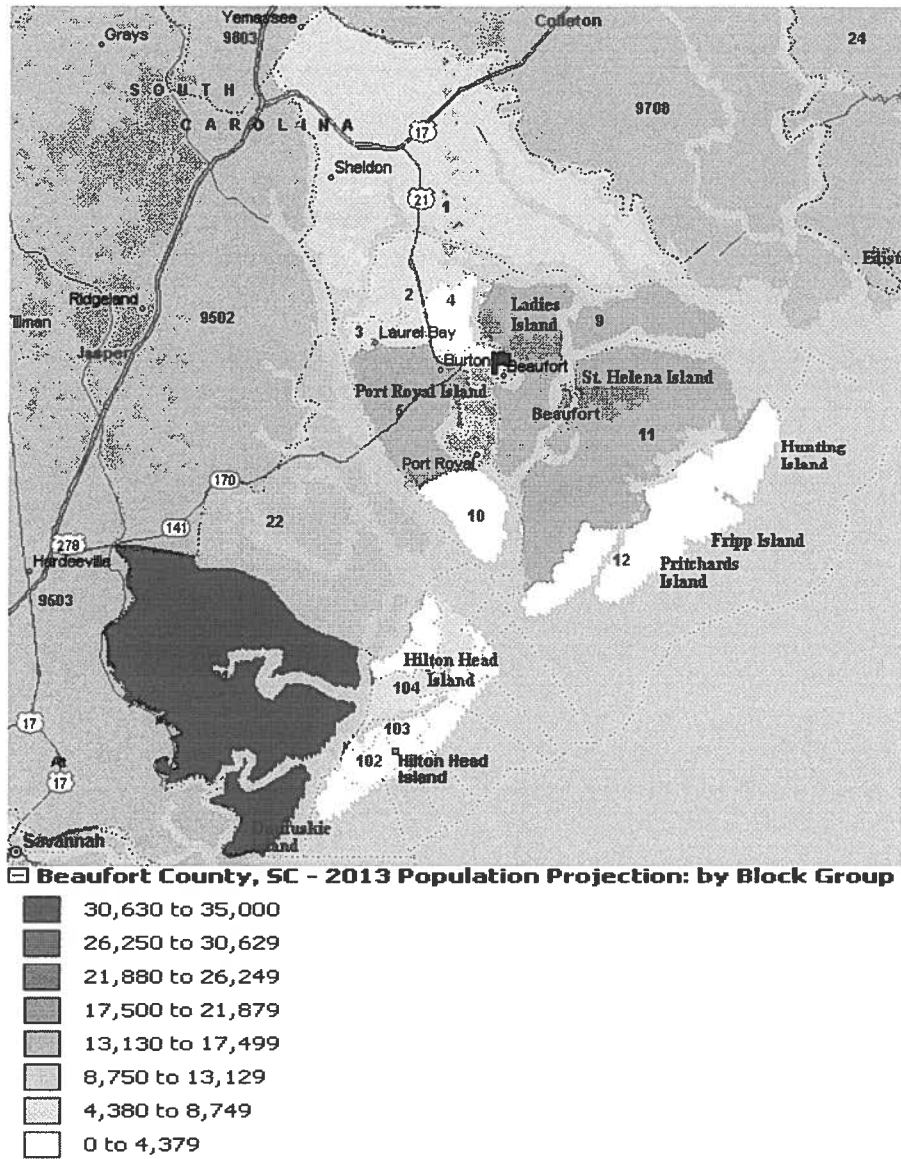
Tri-County's proposal to use three offices will lead to unusually high annual operating costs through the form of high administrative and property costs. As demonstrated above, the proposal to use three offices in the county will serve no real benefit in regard to access. Further, the use of three office locations will actually negatively impact the provision of care that Tri-County would be able to provide as this excess administrative and property capital would be better spent on the actual provision of care through higher levels of direct care staff.

Map 7



*Source: Microsoft MapPoint (20 minute drive times)

Map 8



- **Utilization**

Tri-County's utilization projections are unreliable. They did not properly account for future census growth using unduplicated referrals from specific referral sources.

Tri-County projects to serve 131 patients in Year 1, 283 patients in Year 2 and 459 patients in Year 3. Tri-County states that this utilization pattern was derived based on current data and the goal of reaching the 2009 state use rate. However, these projections are not supported in its application. Tri-County has not adequately documented unduplicated referrals from specific referral sources. Tri-County's failure to provide this data calls into the question the reasonableness of its utilization projections.

- **Payor Mix**

Tri-County's payor mix is unreasonable. Tri-County projects no commercial payors in their pro forma.

Commercial payors should be a substantial component of a home health payor mix yet only Medicare, Medicaid and Private patients are projected in the Tri-County pro forma.

- **Financial Projections**

Tri-County's financial projections are flawed. The Applicant fails to account for several critical facts which have a significant impact upon revenues and expenses and calls into question the fiscal viability of the proposed agency. A number of the Applicant's oversights are discussed below:

1) Tri-County fails to account for initial Medicare and Medicaid Certification delays and the resulting lags of revenue and cash flow. Failure by Tri-County to account for this initial certification period results in an overstatement of projected revenues and cash.

2) Tri-County has projected unreasonable average salaries that are well below home health industry standards. Tri-County's average salary expense for an LPN in its third project year is \$29,960 compared to a current industry median salary of \$44,391. Tri-County's average salary expense for an RN in its third project year is \$49,290 compared to a current industry median salary of \$66,894. Finally, Tri-County's average salary expense for a CNA in its third project year is \$21,388 compared to a current industry median salary of \$28,404. Tri County's other salary expenses, too, seem below industry standards. Please see Figure 9 for a breakdown Tri-County's salary by discipline versus national median salary by discipline.

Figure 9

Tri County's Year 3 Salary by Discipline for Proposed Project vs. National Median Salary by Discipline		
	Tri County	National Median
Discipline		
Registered Nurse	\$49,290	\$66,894
Licensed Practical Nurse	\$29,960	\$44,391
Certified Nursing Assistant	\$21,388	\$28,404

*Source: www.salary.com

3) Tri-County states that it will offer Medical Social services but projects 0.0 FTEs and 0 contract staff for this discipline. Therefore, it appears this expense has not been accounted for.

4) Tri-County's average total visits per patient drops significantly between project years 1 and 3. Tri-County projects an average of 19.1 visits per patient in Year 1, 17.58 visits per patient in Year 2 and 16.01 visits per patient in Year 3. One must question why the number of visits per patients drops by more than three visits per patient over the three year project span and if all expenses concerning patient visits have been accounted for.

Tri-County does not provide all pertinent financial data needed to evaluate their pro forma. Therefore, it is hard to determine what the relative impact on payors in the area will be.

Tri-County does not list charge by discipline. Therefore, it is impossible to determine the relative impact that this provider will have on the payors in the area.

- **Letters of Support**

Tri-County garnered little support for its proposed project from providers and the community. Tri-County collected only 21 letters of support for its proposed project in Beaufort County.

As outlined above, each of the other seven applicants possesses significant flaws in their applications in regard to location, utilization, payor mix, financial projections, indigent care commitment, staffing levels or letters of support. Accordingly, UHC-LC should be awarded the CON as our application addresses all of these areas in the best manner and the in the best interest of the residents of Beaufort County. Thank you for your time and please contact me should you have any questions.

Sincerely,



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